

Ten Top Tips For Investors Coming to Kosovo



A Publication by the European Union Pillar of the United Nations Mission in Kosovo

Ten Top Tips For Investors Coming to Kosovo

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Where is Kosovo ?

Regional Profile

Kosovo is situated in the heart of the Balkans surrounded by the neighbouring territories of Serbia, Montenegro, Albania and Macedonia. It covers an area of 10,887 km², and has a population of approximately 1.9 million (according to 1998 estimates). 90% Albanian and 7% Serbian, these are also the two key languages. The capital Prishtina/Pristina (pop. 300,000 before the conflict) is located in a valley between the Goljak and Central Hills. The centre is developing rapidly.

Q.1



Kosovo situated in the heart of the Balkans

Other major cities in Kosovo include Prizren/Prizren, Peje/Pec, Mitrovica/Kosovska Mitrovica, Gjakove/Djakovica and Gjilan/Gnjilane. The North west region of Kosovo, Peje, hosts the highest mountain in Kosovo, Gjeravica, at 2522 metres. The two main rivers are the Sitnica and Drini i Bardh/Beli Drim. Kosovo has natural resources of lead and zinc, copper, silver, gold and brown coal. The main agricultural products are wheat, corn and grapes.

A Short History

At the heart of the Balkans, Kosovo was part of the Roman Empire, then Byzantium, a Serbian state in 1170 and part of the Ottoman Empire in the early 15th Century. Kosovo became part of Serbia before the First World War, and Yugoslavia just after. Under German and Albanian influence during the Second World War, its place in Yugoslavia was reaffirmed after the conflict.

Kosovo became a province in the Serbian republic of the Federal Republic of Yugoslavia (FRY), and enjoyed a certain degree of autonomy from 1974-90 within Serbia. The Yugoslav Republic began to break up during the early 1990's with Slovenia, Croatia and Bosnia breaking away from the state. An upsurge in violence in Kosovo in 1998 drew the attention of the international community, leading to an eleven-week conflict in the spring of 1999.

On 10th June 1999 the region was placed under United Nations administration, with the European Union and Organisation for Security and Cooperation in Europe providing key parts of the interim government. KFOR, the NATO-led peace implementation force, provides security in the Province. Despite occasional outbreaks of violence nearby - around the Presevo valley in Serbia in 2000, and the former Yugoslav Republic of Macedonia in 2001 Kosovo has become increasingly calm and peaceful over the last two-and-a-half years.

The European Union is playing a major role in the reconstruction of Kosovo. It is the largest donor providing assistance to Kosovo and South Eastern Europe. In 1999 the European Commission provided €378 million in emergency humanitarian assistance for the victims of the Kosovo crisis, after the end of the conflict a further €127 million for reconstruction programmes started. In 2000 the EU continued to support Kosovo with funds of up to € 262 million and in 2001 € 285 million.

Area	10.887 km ²
Population	1.9million
Languages	Albanian, Serbian
Ethnicity	90% Albanian, 7% Serbian, 3%Others
Religions	Islam, Serbian Orthodox, Catholic
Capital	Prishtina/Pristina
Currency	The German Mark is the generally accepted currency. From
Enterprise	40,942 registered in the Private Sector, 300-350 Socially Owned Enterprises
Natural Resources	Lead and Zinc, Copper, Silver, Gold, Brown Coal, Bauxite, Lignite, Nickel
Agriculture	Wheat, Corn, Grape

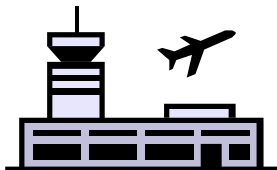
Questions and Answers: Investing in Kosovo

Q.2

How do I get there and operate?

Getting to Kosovo

Access to Kosovo is continuing to improve. Pristina airport hosts regular flights connecting Pristina with London, Zurich, Ljubljana, Vienna, Tirana, Istanbul and other European capitals. Travel companies flying to these locations include British Airways, Albanian Airlines, ADA-Air, Adria Airways, Reiseburo-Aviompep, Tyrolean and Crossair.



Pristina hosts an international airport

Local Taxis

Taxis are always available from the airport to the city centre. The charge is normally around 50 DEM. Once in the city, the average taxi fare is around 5 DEM, most taxis now work on a meter system.

Local Vans

The local mini-buses 3+4 cover most of the city. The cost is 50 pfennings for any number of stops. These are in some places being phased out by a Public Bus Service.

Bus Services

The main bus station in Pristina provides services to a large variety of destinations across the province. Local travel agents are able to organise trips to international destinations.

Accommodation

In Pristina and throughout the regions of Kosovo, hotel accommodation is improving. New hotels, of reasonable quality are being developed. There are several places to stay in Pristina itself and you should expect to pay around 150 DEM per night.

Food

Many restaurants have opened up in the capital serving a wide range of local and international cuisine including traditional Balkan food, Chinese, Italian, Indian and others.

Entertainment

There is a cinema which has three showings per night of box office hit films. These are usually shown in their mother tongue with Albanian sub-titling. The city is cultivating other activities such as theatre, ballet and live music, cafes, bars and nightclubs.

Telephone

In most major hotels you will find telephones. For international calls dial an outside line (if you need to) then 99 + country code. For calls in Pristina dial 038 + number. Most mobile numbers start with 044. The local network provider has started co-ordinating with the roaming facilities of other international networks so it may be worth checking if your mobile line can work here before you arrive.

Internet/Fax/Photocopy

There are many internet cafes available for public use along with Fax and photocopy booths.

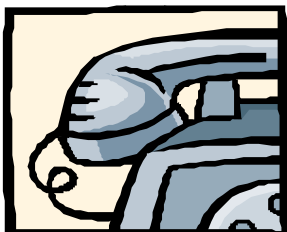
International News

Most hotels are likely to have televisions connected to satellite dishes carrying all major international channels (BBC, CNN, RAI, DW). Most private houses are also connected to satellites. International newspapers can be found in a few places, the most reliable is the news stand in front of the Monaco restaurant by the Sports Centre.



Local taxi firms operate 24 hours a day on a metered system

Communication facilities are Available



Why do business in Kosovo?

The Work Force

As an emerging market, Kosovo does hold a number of advantages. Kosovo's greatest asset is probably its enterprising and self-reliant population. Its energy and creativity can be used to build a new and prosperous economy. In terms of human resources, there is a high population of young people relatively well trained in basic skills. There is a workforce that has learnt to survive through extreme difficulties and which is notoriously commercially driven. Although they are not the cheapest in the region, current salary levels are competitive. Kosovo's large diaspora community provide many international connections and has traditionally been a source of remittances that could, if stimulated, turn into a starting point for foreign investment. The International Monetary Fund (IMF) has estimated that 200,000 remitters are sending between 6-12,000 DEM per family every year back to Kosovo.

Natural Resources

An abundance of natural resources and raw materials should not be overlooked when defining comparative advantage. Although the price of minerals has been falling over time in international markets, it is clear that the extractive sector through a restructuring process, could prove to be a very lucrative business.

Taxation

The system of taxation in Kosovo is oriented towards simple, efficient forms of taxation that are designed to expand the tax base and achieve balance between personal and corporate tax. The tax burden in Kosovo is very low, with total tax revenue in Kosovo in 2000 standing at 7.1% of GDP and in 2001 only expected to reach 11%. These percentages are much lower than those of nearby countries Albania 19%, Macedonia 39%, Slovak Republic 45%.

Europeanisation

The economic policy for Kosovo is to move it towards operating under free market principles. In this context the legal framework being devised in a business context is providing the conditions for this whilst at the same time ensuring that new regulations comply to European Union standards. In addition to this the EURO will become the official currency used in Kosovo from January 1st 2002. Currently the province is using the German Mark. All DEM to EURO conversions will be exchanged at the internationally recognised rate of 1 EUR = 1.95583 DEM.

Security of Investment

The international composition of the Kosovo administration provides a unique environment of support for entrepreneurs. The contacts and experience from abroad are readily available for the local and international business community through the United Nations Mission and through Non-Governmental Organisations. There has been a significant increase in business development programming by the international community both on a large and a small scale.

Q.3

"Our investments in Kosovo are a strategic compliment to our investments in Albania."

**Osman Taner Nakiboglu,
Neam Holding-Culligan,
Turkey/America**

"The investment environment is safe in Kosovo since the EU Pillar of UNMIK is fully committed to provide guarantees of national treatment as well as for transfer of profits and prohibition of expropriation for foreign investors."

**Fabio Guerra, Doimo
International Group SRL
Italy**

"For foreign investors there is the possibility to lease through concession contracts old state enterprises, thereby reducing start-up operations and related costs."

**Pasquale Mastrotta, Sacet
SRL, Italy**

"Low taxation levels (in fact the lowest in Europe) and the upcoming tax incentives for investment make Kosovo an emerging market and an investment friendly territory with plenty of investment opportunities guaranteed by the UN Administration."

**Kinnevik AbTopanicë,
Sweden-Kosovo Joint
Venture**

Questions and Answers: Investing in Kosovo

Socially Owned Enterprises

There are around 350 industrial and commercial socially owned enterprises (SOEs) in Kosovo. They are the largest and the most important enterprises functioning in the economy of Kosovo. They currently employ around 30,000 workers with an additional 30,000 on unpaid leave.

Average capacity utilisation is around 30%. Many SOEs do not operate at all.

SOEs operate in a variety of sectors including manufacturing, construction, agro-business and tourism.

Q.4**Where are the business Opportunities?**

The Transitional Department of Trade and Industry is responsible for Socially Owned Enterprises (SOEs) and the Development of the Private Sector. It is this Department that can provide you with the first steps towards finding business opportunities in Kosovo.

According to UN Security Council Resolution 1244, UNMIK is responsible for the administration of all non-private property in Kosovo, including state and socially owned enterprises. Privatisation has always been the goal of UNMIK however, due to a variety of technical issues privatisation has so far not been possible to implement. As an interim measure to bring investment to SOEs the Commercialisation programme was launched. A proposal for privatisation has also been drafted.

Commercialisation

Commercialisation brings private sector involvement and resources into SOEs. It is accomplished through the completion of long-term contracts to operate and manage enterprises very similar to traditional lease contracts. These opportunities are made available through a Tender process. Tender proposals must address five key areas:- Investment plan; Employment plan; Business and regional experience; Concession fees; Environmental plan. Notices for tender are accessible from the joint World Bank and European Union website www.seerecon.org

Privatisation

The privatisation programme for Kosovo has not yet been officially approved yet it is expected to begin in some form by early 2002. The Kosovo Trust Agency will be the central agency responsible for handling Kosovo's ownership of assets. The KTA will privatise those assets that are subject to privatisation and manage for the long-term interests of Kosovo all other assets under its control. The KTA will administer socially owned property on UNMIK's behalf (as stated in regulation 1244) and will report to a Board of Directors appointed by the Special Representative of the Secretary General of the United Nations (SRSG).

Privatisation will be achieved via a three pronged strategy:- *Transformation*; *Spin-Off*; *Reorganisation*. The **Transformation** approach converts enterprises into Joint Stock companies or limited liability companies with majority ownership transferred free of charge to current and former SOE workers, with a residual shareholding in the KTA. The **Spin-Off** approach looks at productive assets of SOEs which are then assigned to a newly created debt-free company. This is then either sold to an outside bidder or used to form a joint-venture arrangement with a strategic investor. Shares in this NewCo and/or transaction proceeds will be retained by the KTA (or SOE under close control) until ownership issues are clarified. **Reorganisation** allows for insolvent SOEs to have their assets sold through competitive procedures with proceeds held in trust by the KTA until court procedures are completed.

Where are the business opportunities? Contd...

Q.4

To promote economic activity inside and outside Kosovo a Private Sector Development (PSD) and Trade and Investment section have been established within the Transitional Department of Trade and Industry (TDTI).

Private Sector Development Unit

The Development of the Private Sector is the motor for economic success in Kosovo as a creator of employment and an engine for growth. The PSD policy within the TDTI is designed to:- create a supportive environment for SME (Small and Medium sized Enterprise) development; create forums to enhance the understanding of the needs of small businesses; provide an SME support structure for Kosovo; and facilitate human resource development in the business sector.

A database on sectors and regional enterprise is being developed in order to provide accurate governmental information on the business sector. A strong dialogue with the business community is already developed and policy advice is generated by the unit through forums such as the Kosovo SME Council. The development of business services is a key factor with the PSD Unit tracking the quality of services provided on the market and also supporting business development needs through the establishment of Regional Enterprise Agencies. Co-ordination of the training of the business community is also being undertaken to ensure that training is targeted to the areas of need and to assure quality services.

Trade and Investment Unit

Trade and Investment is another section in the UNMIK structures designed to support foreign investors in doing business in Kosovo, to support SMEs and SOEs in their internationalisation process, to help negotiate trade agreements and to assist in promotional activities. It is a one stop shop for foreign business partners in their dealings with the related administrative departments in Kosovo.

Help is given to Kosovo businesses to re-establish links with trade partners abroad and access foreign markets. Assistance is also given to local businesses to locate sources of funding and Foreign Direct Investment (FDI). Acting as a link between offers and demands for partners to create joint ventures and other forms of entrepreneurial cooperation.

Foreign Investors are encouraged to make contact so that accurate information can be passed on concerning the business needs and opportunities.

Total Registered Businesses in Kosovo	
40,942	
Businesses with 1-4 employees	Businesses with 5 or more employees
36,754	4,188
Total Number of employees	
160,987	

Distribution of Businesses by Sector of Activity
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles and Personal Household Goods.
51%
Manufacturing
10%
Transport, Storage and Communications
13%
Hotels and Restaurants
8%
Construction
7%
Other Community, Social and Personal Service Activities
4%
Real Estate, Renting and Business Activities
2%
Agriculture, Hunting and Forestry
1%

Source: Statistical Office of Kosovo/IOM Business Directory, September 2001

Q.5

What is the legal Framework?**Regulations****The Regulations**

**Regulation No.68 on
Contracts for the Sale of
Goods
Adopted 29/12/2000**

**Regulation No.3 on
Foreign
Investment
Adopted 12/1/2001**

**Regulation No.5 on
Pledges
Adopted 7/2/2001**

**Regulation No.6 on
Business
Organisations
Adopted 8/2/2001**

**For a full copy of the
regulations go to
www.kosovo-dti.org and
click on Commercial Law.**

**Legal Institutes
Operating in Kosovo**

**Central and Eastern
European Law Initiative
(CEELI)
Ismail Qemali Street, 47
Dragodan
Pristina
Kosovo
Tel: ++ 381 38 524 104**

The Commercial Law Development Group within the Transitional Department of Trade and Industry is responsible for the preparation of Regulations and Administrative Orders to provide Kosovo with a workable body of law to enable its economy to function according to Western, free market principles.

So far four Regulations have been adopted, these are the regulations on Foreign Investment, Business Organisations, Contracts for the Sale of Goods and Pledges.

Foreign Investment

The purpose of this regulation is to put in place certain legal guarantees that are necessary to encourage foreign investment in Kosovo. The most important provisions in the regulation provide that:-

- Foreign investments will be governed by the principle of national treatment, meaning that they will be treated no less favourably than similar domestic enterprises;
- Foreign investments will be protected against unreasonable expropriations;
- Income from foreign investment may be freely transferred abroad and otherwise used in an unrestricted manner;
- Foreign Investments are protected against retroactive application of laws;
- Foreign investors have certain rights to employ foreign nationals.

The Business Organisations Regulation establishes the ways in which businesses can be organised and registered. The Pledge Regulation has been prepared in order to give Kosovo a modern law regulating all forms of secured transactions. Contracts for the Sale of Goods is a regulation that only covers sales law; it does not cover all areas of contract. It is based on the Vienna Sales Convention.

In the coming months it is expected that Regulations on Bankruptcy, Mortgage, Protection of Competition and Intellectual Property will be adopted.

How do I look after my money and do I have to pay tax?

Q.6

Banking Services

There are now several banks operating in Kosovo. The services vary and so far no banks provide ATM services for their customers. It should be noted that the use of credit cards in Kosovo is rare. Visitors are advised to bring denominations of the generally accepted currency (DEM and Euro as of January 1st 2002) with them.

The first bank to gain a BPK (Banking and Payments Authority of Kosovo) license was the **Micro-Enterprise Bank (MEB)**. MEB is a joint venture of the European Bank for Reconstruction and Development (EBRD), Commerzbank AG, International Finance Corporation (IFC), Nederlands Financieings-Maatschappij voor Ontwikkelingslanden (FMO), International Micro Investitionen (IMI), and Kreditanstalt für Wiederaufbau (KfW). MEB has 7 branches across Kosovo. As of October 2001, MEB had 350 million DEM in deposits and 17.5 million DEM in loans. The bank also offers the Western Union transfer service and to cash travellers cheques and Eurocheques. Other cheques are taken for collection. The bank is currently installing a network of ATMs that will be operational at the beginning of 2002.

A number of local banks have also opened up with official licences from the BPK. These include the **New Bank of Kosovo**, **Bank for Private Business** and the **Economic Bank**, which offer similar banking services.

Taxation

VAT was introduced in Kosovo on July 1, 2001 replacing the sales tax. It currently only applies to imports and domestic transactions by businesses who have an annual turnover of more than DM 200,000. The rate of VAT has been established at 15% of the value of goods and services. There is 0% VAT on exports (including on goods going to FRY) and international transport of goods and passengers.

A 20% tax on business profits will begin in January 2002 for businesses with annual turnover of DM 200,000 or more. Small businesses may have the option of paying either the profits tax or the presumptive tax of 3% turnover. The profits tax is a tax on bottom line profit rather than turnover. Deductions on profits tax include:- business expenses; indirect taxes paid; depreciation; allowance for new investments; purchase of raw materials, intermediate goods, electricity, office supplies; repair; payment of staff salaries.

A progressive rate wage tax is likely to be instituted in January 2002. It will have a maximum rate of 10% in 2002 and 20% in 2003 onwards. It will serve as a framework to collect social security contributions. Internationals working in businesses, local or multinational will pay the wage tax.

Profits are freely repatriated.

Composition of the Kosovo Consolidated Budget

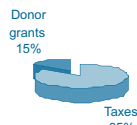
2000



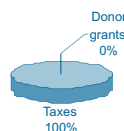
2001



2002



2003



To make the economy of Kosovo self sustainable donor grants must be reduced and self taxation introduced.

Q.7

What do I need to know about importing and Exporting?

Customs Clearance

Currently customs clearance of goods takes place at the international borders with the Former Yugoslav Republic of Macedonia, Albania and at the Administrative Boundary Line with the Federal Republic of Yugoslavia.

The customs stations at the international borders are:-

- Hani I Elezit/Djeneral Jankovic (International border with FYR Macedonia)
- Vermice/Vrbnica (International Border with Albania)
- Pristina/Pristine International Airport

The first two customs stations are open for clearance of commercial traffic from 8.00am to 8.00pm seven days a week. The airport is open for clearance of all commercial flights. The tax collection offices, where under certain circumstances also customs clearance can be carried out, are the following:-

- The tax collection office upon the approved route from/to Gate 5, located in the municipality of Kamenica;
- The tax collection office upon the approved route from/to Gate 3, located in the municipality of Podujevo;
- The tax collection office at Peje/Pec;
- The tax collection office at Mitrovica/Kosovska Mitrovica;
- The customs house in Pristina/Prishtine;

The tax collection offices are open for clearance of commercial traffic 24 hours a day.

Temporary Importation

There are provisions governing the temporary importation customs procedure. In order to obtain authorisation for the temporary import of the required equipment, machines, tools etc, any applicant must submit an application form to:

**Custom House,
Rruga e Leninit,
38000 Pristina,
Kosovo**



There are three customs stations at international borders.



Over 200 trained local customs officers man the customs + tax collection points across Kosovo.



What do I need to know about importing and exporting?

Continued...

Q.7

The application must contain all the necessary information about the goods that are to be imported on a temporary basis e.g. commodity description, serial numbers, customs value etc. This is to facilitate the identification of goods.

In addition to this the applicant should indicate the period of time, expressed in months, for which the authorisation should be granted. A copy of the project contract and copy of the eventual leasing contract should also be attached to the request. Once authorisation has been granted by the main Customs House in Pristina, the following rules apply and the following options are possible:

- A request for temporary importation must be covered by bank guarantee or cash deposit covering 100% of the applicable customs duty. The actual rate of customs duty is 10% with an additional 15% for VAT. This results in a total of 26.5% on the customs value of goods. Of this 26.5% UNMIK Customs Service levies 20% each year and transfers it to the Kosovo Consolidated Budget.
- In cases where a request for temporary importation for a limited period of time (e.g. 4, 6, or 8 months) has been submitted, the 20% will be calculated in proportion to the period, which the goods remain on the territory of Kosovo.
- In the case of permanent importation of the equipment, the full rate of duty, excise taxes and sales tax will apply.

Customs Duties and Excise

Customs duties are collected on, or in connection with, the import of goods, which means the goods only become liable to the payment of customs duties when they cross a border or when they arrive after a transit movement to their final place of destination. Customs duties are established in customs tariffs, which take into account the special circumstances of an economy.

Currently, excise taxes are applied in Kosovo for goods such as cigarettes, coffee, alcoholic beverages and petrol products. The rates are either ad valorem rates or specific rates. The rate depends on the nature of the product.

The form for customs declarations is the Single Administrative Document (SAD) as used in the European Union.

At present there are no measures of commercial policy applicable except a surveillance system for the importation of pharmaceutical products. A similar system will be introduced soon for the import of live animals and for the export of scrap metals.

Customs Duties from Neighbouring Territories
<div>Serbia</div> <div>Customs0%</div> <div>ExciseVarious</div> <div>VAT15%</div>
<div>Montenegro</div> <div>Customs0%</div> <div>ExciseVarious</div> <div>VAT15%</div>
<div>Albania</div> <div>Customs10%</div> <div>ExciseVarious</div> <div>VAT15%</div>
<div>FYROM</div> <div>Customs1%</div> <div>ExciseVarious</div> <div>VAT15%</div>

Q.8

Who makes decisions and enforces the law?**International Politics**

On 10th June 1999, the United Nations Security Council authorised the Secretary-General of the UN to establish in Kosovo an interim international civilian administration under which the people of the province could enjoy substantial autonomy. The Council took its action by adopting resolution 1244 after NATO suspended its air operations following the withdrawal of security forces of the Federal Republic of Yugoslavia from Kosovo. To ensure stability in the province a military presence under K-For was introduced. In order to lead the region back into normal civilian life the United Nations Interim Administration Mission in Kosovo (UNMIK) was established.

**K-FOR**

KFOR is a NATO lead multi-national security force, with contributors from 38 nations. The 39,000 troops provide a safe and secure environment to allow UNMIK and the new civil administration to bring stability and prosperity to Kosovo and the wider Balkan area. KFORs support UNMIK-Police and the Kosovo Police Force with the enforcement of law and order and monitor the Kosovo's borders and boundaries to deter smuggling activities. As normality returns to the region KFOR's presence will gradually reduce, but not substantially in the immediate future.

UNMIK

UNMIK is now in stage three of its five-phase strategy to introduce substantial autonomy and self government in Kosovo and to introduce structures to allow the local population to perform basic civil administrative functions. UNMIK has set up a series of government departments to deal with the running of everyday life in the province which are currently headed up by international staff with politically appointed local counterparts. With the announcement that general elections will be held on 17 November to create a 120 seat provincial assembly, the shape and make up of these departments is undergoing change. However, the Special Representatives within UNMIK will still have the right of veto over policy decisions that they see as detrimental to the development of the province. The length of the stay of UNMIK is undetermined and essentially linked to the resolution to be taken on the settlement of the final status of Kosovo. However the numbers of international staff are beginning to decrease leaving local counterparts in their place.

Police and Justice Pillar I

Pillar I, Police and Justice, was launched in May 2001 to counter organized crime, terrorism and inter-ethnic violence. It realigns UNMIK Police and the Department of Judicial Affairs into a single structure. The goal of Pillar I is to strengthen the fight against crime while providing greater focus, centrality and coordination of efforts between UNMIK, KFOR and international resources. Only in this way will Kosovo become a safe place for all its national communities.

Who makes decisions and enforces the law?

Continued...

Q.8

UN Pillar II

The United Nations pillar is responsible for establishing a multi-ethnic governmental infrastructure to carry out civil service functions and public services. In addition it has laid the groundwork for a civil administration to run throughout Kosovo both at central and local levels. It currently has responsibility for 15 Administrative Departments. These Departments will become Kosovo run ministries as part of the Provisional Self Government to be elected on November 17, 2001.



OSCE Pillar III

Pillar III is responsible for democratisation and institution building; this is led by the Organisation for Security and Cooperation in Europe (OSCE). Their main remit is to work in the areas of Democratisation; Registration and Elections; Human Rights; Rule of Law; and Media Affairs. OSCE will run and oversee the November elections.



EU Pillar IV

As part of UNMIK the European Union (EU) is in charge of economic reconstruction and stimulating economic activity in Kosovo. The EU Pillar runs four departments including the Department of Trade and industry, Department of Reconstruction, Central Fiscal Authority and Public Utilities. It is closely linked with the Customs Authority and the Banking and Payments Authority of Kosovo.



Due to the reorganisation that will follow the November elections, these Departments are currently in a transitional phase. After the elections locally elected politicians will be assigned to the Departments which will then be officially converted to Ministries and other new structures will be created. The new structures under Pillar IV will be:- the Ministry of Finance and Economy, Ministry of Trade and Industry, the Kosovo Trust Agency and the Public Utilities Regulatory Commission.

So who is in charge?

The "Constitutional Framework for Provisional Self Government" aims to put the people of Kosovo in the "driver's seat" by handing over as many government functions as possible to the Provisional Institutions for Self Government (PISG). In the economic sphere this means that policy areas such as private sector development, industrial policies, or public utility regulation will largely be transferred to the PISG.

However, the SRSG will retain the political responsibility for the management oversight of SOE's and public enterprises, as well as the implementation of the envisaged privatisation programme, while the PISG will largely determine the economic framework impacting on the viability of enterprises and the prospects of privatisation. The International Community will still remain present in these structures either in advisory or decision making roles.

Questions and Answers: Investing in Kosovo

Q.9

I'm interested in getting more information so what do I do now?

Kosovo Chamber of Commerce
Mother Theresa Street, 20
Pristina
Kosovo
Tel: ++381 38 524 741
Fax: ++ 381 38 23 397
E-mail: odaekonomike@hotmail.com

Riinvest Institute for Development Research
Mother Theresa Street, 7/III
Pristina
Kosovo
Tel/Fax: ++381 38 549 320
E-mail: riinvest@hotmail.com

Export Import Kosovo
Mother Theresa Street, 42
Pristina
Kosovo
Tel: ++381 38 524 049
Tel/Fax: ++ 381 38 549 811
E-mail: Sami_Hasani@hotmail.com

The Cambridge School
Ish Banka e Lunjanës, kat. II/201
Pristina
Kosovo
Tel: ++381 38 29271/23561/26399
Tel/Fax: ++ 381 38 28166
E-mail: schoolpr@Eunet.yu

Department of Trade and Industry
Green Building
Vellusha Street, 2
Pristina
Kosovo
Tel: ++ 381 38 500 400 ext 226
Fax: ++ 381 38 548 076
E-mail: dti_kosovo@hotmail.com
WWW: kosovo-dti.org

Central Fiscal Authority
Corner of Mother Theresa + Lenini
Street,
Pristina
Kosovo
Tel: ++ 381 38 540 564
Fax: ++ 381 38 540 788
WWW: kosovo-cfa.org

There are several institutions and organisations who you can call upon to access accurate and useful information about doing business in Kosovo. We have divided them into local business organisations, governmental institutions and donor funded programmes.

Local Business Organisations

The Kosovo Chamber of Commerce is a well respected organisation operating at central level in Kosovo with sub-branches in each of the regions. Their mission is to represent the business community in Kosovo to the government, to support and protect legal interests and to encourage the development of trade and industry. They offer a variety of services including assistance with international relations, information networks, consultancy, executive services, training as well as establishing relations with international institutions and other Chambers of Commerce in other countries.

Riinvest are an Institute for Development Research. Their main focus is to look at the economy of Kosovo and study economic developments and analyse current policies. They have produced several research reports and organise many economic forums for Kosovo throughout the year.

EXIMKOS Pristina specialises on establishing foreign trade relations for Kosovo based enterprises. The EXIMKOS employees have been vocationally trained to do their job in the field of foreign trade, consulting, proposing engineering solutions, marketing and representing foreign firms.

The Cambridge School provides linguistic consulting and training services to foreign clients as well as hot-desking and short-term office space rental with all communication facilities.

Government/Institutional Bodies

The Transitional Department of Trade and Industry (Department of Trade and Industry) is the government department best placed to be able to provide information on Commercial Laws, the Commercialisation and Privatisation programmes, Trade and Investment and Private Sector Development.

The Transitional Department of Finance and Economy (Central Fiscal Authority) comprises departments acting as a treasury, budget office, tax administration, customs service and other fiscal bodies. This department is best placed to provide information on taxation issues and accounting policy.

I'm interested in getting more information so what do I do now? Continued...

Q.9

The Banking and Payments Authority of Kosovo seeks to foster the development of a modern and efficient banking and payments system, as well as to provide financial services to public bodies. Its functions are similar to those of a central bank. Its most significant responsibility is for the licensing of banks and other financial institutions. It also acts as UNMIK's bank, accepting deposits from UNMIK departments and making payments per instructions from the Central Fiscal Authority. BPK will also be responsible for managing the introduction of the EURO in January 2002.

Banking and Payments Authority of Kosovo
Head Office
Pristina
Kosovo
Tel: ++381 38 501 395
Fax: ++381 38 526 840

Donor Funded Programmes

The European Agency for Reconstruction is supporting a Private Sector Development Programme to establish Regional Enterprise Agencies. These agencies will operate in each of the five regions of Kosovo and provide business advice, information and training to local businesses. They will also provide a quality service to improve business management and skills, assist in the growth of business in the region and to improve business plans and projects. They will be useful points of contact to help in the assessment of the business climate in the regions.

Regional Enterprise Agencies
c/o Eurecna
Jean Monnet Building
White Building
Velusha Street
Pristina
Kosovo
Tel: ++381 38 500 400 ext 106
Fax: ++381 38 548 076
E-mail:
kossme_eurecna@hotmail.com

The Euro Info Correspondence Centre (EICC), belongs to a network of around 300 Euro Info Centres established by the European Commission. The objective is to provide the business community, legislators, students and the general public with user-friendly, high quality information on the European Community, in order to foster business cooperation and trade. A key objective of the EICC is to facilitate business cooperation between Kosovo and European SME's.

Euro Info Correspondence Centre
Mother Theresa Street, 20
Pristina
Kosovo
Tel: ++381 38 224 596
E-mail: eicckosovo@hotmail.com
WWW: kosovo-eicc.org

Kosovo Business Support (KBS) is a USAID funded programme aiming to support the revitalisation of business through a business services programme providing direct assistance and training to SME's as well as broader umbrella activities to provide general support for the Kosovo SME sector. KBS will eventually provide these services on a consultancy basis.

Kosovo Business Support
Nazim Hikmet Street, 116
Pristina
Kosovo
Tel: ++ 381 38 518 879
Fax: ++381 38 517 216
WWW: usaidkbs.com

Other Sources of Information

The EU Pillar website can be found at www.euinkosovo.org
The UNMIK site is at www.un.org/peace/kosovo/pages/kosovo1.htm
The K-FOR website is at www.kforonline.com
The OSCE website is at www.osce.org/kosovo/

Q.10

How does Kosovo shape up statistically?

Statistical Office of Kosovo

Zenel Salihu Street No.4

Pristina

Kosovo

Tel: ++ 381 38 548 094

E-mail: stat_inst_kos@yahoo.com

The following facts and figures illustrate the economic make-up of Kosovo in terms of macroeconomic data and budgetary expenditure. The sources are officially recognised institutions operating in Kosovo.

Kosovo Production and Income Estimates in 2000

- Gross Domestic Product 3.0 billion DEM
- National Income 4.5 billion DEM
 - Difference due to remittances and humanitarian assistance
 - Remittances could be 500-1,000 DEM per month from perhaps 200,000 remitters.
 - Remittances were between 1.2 and 2.4 billion
- Per Capita GDP 1,580 DEM
- Per capita national income 2,374 DEM

See IMF "Macroeconomic Issues and Fiscal Sustainability", November 2000 pp. 25-31

Investment and Consumption

- Kosovo's Population 1.9 million¹
- Imports are 85% of GDP
- Exports are virtually zero
- Public investment 0.76 billion DEM, mainly donor financed, is 25% of GDP
- Private Investment 0.4 billion DEM, is 13% of GDP
- Total investment 1.16 billion DEM is 39% of GDP
- Consumption 4.4 billion DEM is 146% of GDP

¹ Kosovo's population estimates range from 1.9 to 2.3 million for 2000. The last two population census conducted in 1981 and 1991 estimated Kosovo population at 1.6 and 1.9 million respectively, but the 1991 census probably undercounted Albanians.

Credit Availability in Kosovo

- Four Commercial Banks with length of credit from 3 months to 2 years and business loans of up to 100,000 DEM for 12 months from between 15 and 22% compound interest per year
- An interim credit facility unit for small and medium enterprises and an agricultural business unit aiming at agrobusiness, both dispensing business loans of up to 300,000 DEM on average for 3 to 5 years from 8 to 15% interest compound per year
- Equity financing of up to 400,000 DEM
- Eleven micro finance institutions (MFIs) charging an average of 32% per year on loans of 10-100,000 DEM for 6 months to 2 years, with 13 million DEM credit outstanding on April 30, 2001

Source: CFA, BPK & DTI/PSD

Kosovo banks had 375 million DEM in deposits as of the end of September 2001

According to the Micro Enterprise Bank (the oldest bank in Kosovo) only 2 out of 1,400 loans have defaulted

How does Kosovo shape up statistically? Contd...

Q.10

The Kosovo Budget

<p>2001 Kosovo Budget</p> <p>Revenue Highlights:</p> <ul style="list-style-type: none">• Revenues to finance general government spending is 68% local sources/32% donor financing compared to 50/50 for 2000.• Most of tax revenues (34%) are from VAT and ExciseSales and Customs duties comprise other major sources <p>Source: CFA</p>	<p>2001 Kosovo Budget</p> <p>Expenditure Highlights</p> <ul style="list-style-type: none">• General government spending increased 16% from the year 2000 to 500 million DEM.• 68% of total expenditures are for Education, Health, Social Welfare and Justice.• Salaries and the number of civil servants are about equal to 2000, with a slight increase in smaller Departments. <p>Source: CFA</p>																
<p>Kosovo Public Investment Programme: 2000-2001</p> <p>Estimated Investment Needs by Sector (DM Million):</p> <table><tr><td>Public Utilities.....</td><td>752.6</td></tr><tr><td>Housing.....</td><td>619.0</td></tr><tr><td>Transport.....</td><td>243.7</td></tr><tr><td>Education.....</td><td>159.6</td></tr><tr><td>Agriculture.....</td><td>149.4</td></tr><tr><td>Health.....</td><td>143.7</td></tr><tr><td>Other.....</td><td>709.1</td></tr><tr><td>Total.....</td><td>2,77.1</td></tr></table> <p>Source: CFA</p>	Public Utilities.....	752.6	Housing.....	619.0	Transport.....	243.7	Education.....	159.6	Agriculture.....	149.4	Health.....	143.7	Other.....	709.1	Total.....	2,77.1	<p>Kosovo Public Investment Programme: 2000-2001</p> <p>Public Investment Programme Highlights</p> <ul style="list-style-type: none">• Majority of public investment spending (77%) is for Public Utilities, Housing, Transport, Education, Agriculture and Health.• For 2002 and beyond, Kosovo Budget will require additional funds for operating and maintenance costs of capital infrastructure. <p>Source: CFA</p>
Public Utilities.....	752.6																
Housing.....	619.0																
Transport.....	243.7																
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Ten Top Tips is an Investors Guide created by the Public Relations Unit of the Transitional Department of Trade and Industry. Information contained in this Guide is accurate as of the date of publishing , November 2001. Kosovo is going through rapid change so the data and information in this Guide is also subject to change.

The Transitional Department of Trade and Industry is part of the European Union Pillar of the United Nations Mission in Kosovo.

www.euinkosovo.org

www.kosovo-dti.org



The information for this guide was provided by the Transitional Department of Trade and Industry (DTI) (Trade and Investment, Private Sector Development, Commercialisation, Commercial Law) Transitional Department of Finance and Economy (CFA),

UNMIK Customs Service, EU Pillar, United Nations, K-FOR and other non-governmental organisations answering to our requests for information.

Written and designed by Sarah Howell, Head of the Public Relations Unit, TDTI, Kosovo.

For further information contact dti_kosovo@hotmail.com